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DELTA-BENCO LTD.

70 RONSON DRIVE • REXDALE • ONTARIO

formerly Kenmore Electronics Inc.

INTERIM REPORT JUNE 1972

President's Report

TO THE SHAREHOLDERS:

On behalf of your Board of Directors I submit the operating results of your company for the period January 1, 1972 to June 30, 1972, with comparative figures for the corresponding period in 1971. It should be noted that the 1971 figures do not include the results of operations of the Benco Division, acquired on July 1, 1971, nor do they include the operations of Cascade Electronics Ltd., which your company acquired on May 5, 1972. The operating results of Cascade Electronics Ltd. since May 5, 1972, have been included in the current period under review.

The difference in the earnings per share for the first six months of 1972, as compared with the first six months of 1971, is in the main accounted for by the loss resulting from the operations of Cascade, by expenses incurred in connection with the acquisition of Cascade and by the larger number of shares outstanding.

As has been indicated in the press, Cascade's manufacturing operations are being transferred from Port Moody, B.C. to the Toronto area.

The integration of Cascade with Delta-Benco which, it is anticipated, will be completed by the end of the current year, is progressing at a satisfactory pace considering the many problems of a human and organizational nature associated with the combination under one roof of these two units now so far distant one from the other.

The outlook for the second half of 1972 is satisfactory, but net earnings will be adversely affected by the substantial expenses incurred and to be incurred in integrating the operations of Cascade with those of Delta-Benco, and by the further losses which may be sustained by Cascade before that goal is reached.

August 25, 1972

G. A. ALLARD
President

CASCADE 



A MEMBER COMPANY OF THE REDIFFUSION GROUP 

CONSOLIDATED STATEMENT OF EARNINGS
AND RETAINED EARNINGS
FOR THE SIX MONTHS ENDED JUNE 30
UNAUDITED

	1972	1971
SALES	\$1,910,942	\$998,528
COST OF SALES	1,353,886	645,850
GROSS PROFIT	557,056	352,678
OPERATING EXPENSES	390,739	190,618
OPERATING INCOME	166,317	162,060
OTHER (EXPENSE) INCOME	(12,722)	12,093
INCOME BEFORE INCOME TAXES	153,595	174,153
PROVISION FOR INCOME TAXES	85,600	91,700
NET EARNINGS FOR THE PERIOD	67,995	82,453
RETAINED EARNINGS—		
BEGINNING OF PERIOD	769,445	636,779
Transfer from excess of appraised value of fixed assets over cost	2,221	2,221
	839,661	721,453
Less Dividends Paid	25,968	—
RETAINED EARNINGS—		
END OF PERIOD	\$ 813,693	\$721,453
EARNINGS PER SHARE	11.8¢	15.9¢
FULLY DILUTED EARNINGS		not
PER SHARE	11.5¢	applicable

CONSOLIDATED STATEMENT OF SOURCE
AND USE OF WORKING CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30
UNAUDITED

	1972	1971
SOURCE OF WORKING CAPITAL		
From operations		
Net Earnings for the period	\$ 67,995	\$ 82,453
Item not affecting working capital—Depreciation	17,269	14,060
	85,264	96,513
Acquisition of working capital in a subsidiary	190,352	—
Reduction in note receivable	20,949	18,000
	296,565	114,513
USE OF WORKING CAPITAL		
Additions to fixed assets—net	9,262	7,391
Reduction in long term debt	450	450
Dividend on common shares	25,968	—
	35,680	7,841
INCREASE IN WORKING CAPITAL	260,885	106,672
WORKING CAPITAL BEGINNING OF PERIOD	797,018	853,922
WORKING CAPITAL END OF PERIOD	\$1,057,903	\$960,594

NOTES TO FINANCIAL STATEMENTS

Principles of Consolidation:

The accounts of Delta-Benco, Inc. (formerly Kenmore Electronics Inc.) the U.S. operating subsidiary of the Company are included in these statements. Current assets, current liabilities and operating results have been converted to Canadian dollars at par. Other assets and liabilities have been converted at rates of exchange in effect at the dates on which the assets were acquired or the liabilities assumed.

On May 5, 1972 the Company acquired all of the outstanding shares of Cascade Electronics Ltd. in exchange for the issue of 190,600 common shares and the granting of options

entitling the former shareholders of Cascade Electronics Ltd. to subscribe for 45,000 additional common shares. The operating results of Cascade Electronics Ltd. have been included from the date of acquisition.

Earnings per Share

Earnings per share have been calculated on the basis of the weighted monthly average of the shares outstanding. Fully diluted earnings per share assume that the outstanding options were exercised at the time of the acquisition of Cascade Electronics Ltd.